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SOVROMS (SOVIET-RUMANIAN ENTERPRISES)

Sovroms (Soviet-Rumanian Enterprises) were created as instruments for the incorporation of the general economy of the Satellites into the Soviet economic and political sphere. For a better comprehension of the facts, it is necessary to examine the background which paved the way for their creation.

1. Armistice Convention

a. The armistice convention defined and placed under protection the spoils of war, movable materials, vehicle parks, economic basic materials such as iron ore, mined metals, chrome available at the Phonix-Baia Mare Plants, and other items.

b. The convention prepared lists of enemy property, most of which was credited to the USSR. The Soviets used this property as their contribution to the Sovroms.

c. There was a preparation of proof for the need for greater reparations to the USSR.

d. The investments of the USSR created the need for a greater number of Soviet technicians and economists to supervise activities in Rumania.

e. The armistice visualized the use of the existing legal framework and the possibility of later modifications. However, the armistice was effective for a limited time only, and during the international negotiations leading to the armistice it was impossible to foresee the ultimate political direction taken by the Soviets.

2. Potsdam Conference

The pertinent decision made at the Potsdam Conference was the use of enemy property and property of areas hostile to the USSR as reparations. The texts were so judiciously phrased by the Soviets that the possibility of various interpretations existed. According to the wording, even Dutch properties could be taken by the USSR.

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3. Paris Peace Conference

Payments were specified not in dollars but in merchandise. As a result, after 1945, basic materials such as petroleum, lead, zinc, chromium, and other critical materials came under the control of the Soviets and were used as a weapon of political pressure in Rumania.

4. Local Policy

On the local level, treaty provisions were applied as follows:

a. Directives were issued for the strengthening of economic control by the state. Production, distribution, and the legal apparatus, organized on a wartime emergency basis, were taken over by the state.

b. The securing of 51-percent control in Sovroms was accomplished through the contribution by the Soviets of enemy property.

c. The assignment of enemy brands and patents. (Although the chiefs of IG Farben industries were branded as war criminals, Doctor Beck, director general of the IG Farben of Rumania was brought from Siberia to Bucharest to aid in the assignment of patents and to establish relations with his colleagues of Leverkusen.)

d. The creation of an atmosphere which would attract foreign capital and investments which later could be taken over by the government.

In fact, however, the value of the properties collected or received as reparations did not constitute a 51-percent ownership in the Sovroms. When the proper political conditions had been created in Rumania, the USSR at the "request" of the Rumanian government, agreed, as a sign of sincere and generous friendship, to give economic aid to the Rumanian people by the creation of mixed Rumanian-Soviet enterprises, the Sovroms.

Rumania was the first state to undertake such a relationship. It may be recalled that Varga maintained that the Balkan economy was backward and that its development was slow and evolutionary. Thus, it would constitute a burden on the Soviet economy, especially in regard to industrialization. His thesis was rejected, however. Chief negotiator in the organization of the Sovroms was Zheleznikov (fnu), delegate of the Soviet Planning Commission. He established an office at 21, C. A. Rossetti Street in Bucharest. He was aided by A. N. Finogenov, chief Soviet commercial representative in Rumania, and Colonel Pavlov (fnu), chief of enemy properties in Rumania. The chief Rumanian delegate was Zeigher (fnu). He was aided by Schreiber (fnu), chief legal counsellor of the Ministry of Foreign Affairs and of the Sovroms. (Schreiber is the brother of F. Spina, the imprisoned newspaperman.) The key positions were placed in Soviet hands. Important posts were given to Rumanians who were party members, or to technicians who could be influenced.

The legal agreement which formed the basis of the Sovroms called for 50-percent control by each party. However, the Soviets have so manipulted capital and investment goods that the Rumanian contribution can never amount to 50 percent. In reality, the Soviet contribution has declined with the passage of time. In addition, patents, licenses, and brands were evaluated at a multiple sum.

Soviet personnel assigned to the management of the Sovroms were in general specialists of the Casbi armistice and of enemy property.

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Details on Sovroms

1. The general directorates of the Sovroms have no offices on the economic or political policy level in Bucharest.

2. Rumanian officials have only a consultative role in the economic management of the Sovroms.

3. Instructions for operations come directly from Moscow. For a very important problem, the director general goes to Moscow. Other important problems are referred to the Soviet commercial representative.

4. Sovroms were under the jurisdiction of A. I. Mikoyan, Minister of Foreign Trade. In 1949, A. N. Finogenov was chief of the Rumanian Division in Moscow.

5. Sovroms have priority over Rumanian state enterprises in supply, financing, export, and other fields of parallel activity.

6. Sovroms are planned separately, with priorities and privileges.

7. They have independent control of export, including volume of goods to be exported.

8. They may negotiate directly through state enterprises, other enterprises, or even private individuals.

9. In foreign countries, they prefer to trade through Soviet or mixed Soviet enterprises.

10. In the past, they have not dealt directly with firms controlled by Communist parties in other countries.

11. They carry on domestic financing through the state bank. Financing for investment, a closely guarded secret, is carried on in hard currency through the Ministry of Finance by means of a secret fund entrusted to Vasile Luca. The standard method of financing imports is through usual legal channels.

The limit of Soviet controls has already been described above. Some liberty of action is granted Rumanian organizations in the fulfillment of Sovrom plans. For example, if some factor prevents fulfillment, the Soviet director presents a memorandum to Moscow, and this is frequently accepted. Sovroms are independent of one another, such as, for example, Sovrombenk (Soviet-Rumanian Banking Enterprise), Sovrompetrol (Soviet-Rumanian Petroleum Enterprise), Sovromchim (Soviet-Rumanian Chemical Enterprise), Sovromlemn (Soviet-Rumanian Wood Enterprise), Sovromtransport (Soviet-Rumanian Transportation Enterprise), Sovromgaz (Soviet-Rumanian Gas Enterprise), Sovromasigurari (Soviet-Rumanian Insurance Enterprise), and Sovromfilm (Soviet-Rumanian Moving Picture Enterprise).

Each Sovrom has a managerial committee formally chosen by the stockholders but in actuality selected for the Rumanians by the personnel service of the Communist Party (under Simona, wife of Colonel Zamfir /fnu/). Soviet members are chosen by the Soviet commercial representative in Rumania. Only the director general and the commercial director have any power. The administrative director and the technical director have an advisory role. The president of the administrative council is a mere figurehead.

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The Sovroms have central offices in Bucharest. Some have affiliates in lesser cities or even in foreign countries, for example, Sovrompetrol, Sovromlesm, and Sovromtransport. Soviet employees are chosen by the director general. The advice of the personnel service of the Communist Party is sought for the appointment of employees of high rank. The chief of the personnel service of the individual Sovrom proposes, and the administrative director approves, the hiring of lesser employees.

Up to 1950, there was no central office for Sovroms. Their interests were supported by the Soviet commercial representative.

Liaison with the Ministries is carried out through normal channels.

Ministries are in possession of the operation plans of the Sovroms and supervise their activities. Legally, the Sovroms are under the ministries, but, in fact, the Sovroms treat the ministries as inferior bodies. Occasionally, ministries refuse the requests of the Sovroms, but only for well-founded reasons.

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